

HB

145-

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 145Title An Act relating to the Alaska net income taxRequested by _____ Date 3/8/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic DevelopmentProgram Category Affected Public ProtectionBudget Request Unit(s) Affected Alaska Pipeline CommissionEXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	0	17.5	37.3	39.3	41.2	43.3
200 TRAVEL						
300 CONTRACTUAL	0	.75	1.5	1.5	1.5	1.5
400 COMMODITIES	0	1	2	2	2	2
500 EQUIPMENT	0	1.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	19.6	39.0	40.9	42.9	45.0

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	0	19.6	39.0	40.9	42.9	45.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME	0	1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Given the Commission's workload, satisfactory performance of the certification responsibility will necessitate hiring a staff person with specialized knowledge of tax accounting.

Effective date: January 1, 1978

IV. DATE 3/8/77PREPARED BY William L. MurrayAGENCY Alaska Pipeline CommissionPHONE 279-0583

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
 TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 145
 Title An Act relating to the Alaska Net Income Tax
 Requested by _____ Date 2/25/77

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Public Protection
 Budget Request Unit(s) Affected Alaska Public Utilities Commission

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		15.3	30.6			
200 TRAVEL						
300 CONTRACTUAL		2.1	2.1			
400 COMMODITIES		.2	.2			
500 EQUIPMENT		.8				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		18.4	32.9			

FUNDING (Thousands of Dollars)

GENERAL FUND		18.4	32.9			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		1	1			
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Passage of this proposed legislation will require the Alaska Public Utilities Commission to employ at least one additional Financial Analyst III who would be responsible for examining the tax returns for intrastate pipeline.

Detailed expense estimate attached

Effective date : January 1, 1978

IV. DATE 2/25/77 PREPARED BY Jessie M. Knowles per esg
 AGENCY Alaska Public Utilities Commission
 Original: Legislative Finance PHONE 272-1487
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

AGO 547449

FISCAL NOTE

Re HB 145

1 Tax Accountant (UFA III, Range 18C)	\$24408	
Benefits 25 1/2%	6226	\$30634
Contractual:		
Office Space	1890	
Telephone	240	2130
Commodities:		
Stationery and Office Supplies	230	230
Equipment:		
Desk	295	
Chair	135	
Calculator	150	
Dictating Machine (Pocket Secretary)	250	830
		<u>830</u>
		\$33824

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING

POUCH SA - JUNEAU 99811

March 16, 1977

The Honorable Alvin Osterback
Chairman
House Resources Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska


Re: House Bill No. 145

Dear Mr. Osterback:

House Bill No. 145, an Act relating to the Alaska net income tax was introduced in the House on January 31, 1977 and was referred to the House Resources and Finance Committees.

For the consideration of the House Resources Committee, I am enclosing a Fiscal Note prepared by Mr. Gary L. Jenkins, Director, Audit Division, Department of Revenue, Juneau concerning the proposed legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

cc: The Honorable Steve Cowper
Chairman
House Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Gary L. Jenkins, Director
Audit Division
Department of Revenue
Juneau, Alaska

AGO 547451 +

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. House Bill No. 145
 Title An Act relating to the Alaska net income tax
 Requested by House Resources Committee Date 2-1-77

II. FISCAL DETAIL

Agency Affected Revenue
 Program Category Affected Fiscal Services
 Budget Request Unit(s) Affected Audit Division

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		88.1	317.8	317.8	353.3	353.3
200 TRAVEL		5.0	70.0	70.0	75.0	75.0
300 CONTRACTUAL		10.2	105.2	65.2	70.0	70.0
400 COMMODITIES		6	2.0	2.0	2.2	2.2
500 EQUIPMENT		1.8	6.0	1.0	1.8	1.0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	105.7	501.0	456.0	502.3	501.5

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	105.7	501.0	456.0	502.3	501.5
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	-0-	3	10	10	11	11
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)


This bill will necessitate an Audit staff of 8 Field Auditors with a Clerk Typist III and a Tax Examiner to handle the clerical, typing and return processing duties. The other costs are related to the development of the computer processing systems and costs related to the positions. See memo attached to R. D. Stevenson dated 2/3/77

IV. DATE 2/3/77 PREPARED BY *Ray Jenkins*
 AGENCY Audit Division
 PHONE 465-2320
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

MEMORANDUM

TO: Mr. R. D. Stevenson
Special Assistant
Department of Revenue

DATE : February 3, 1977

FROM: Gary L. Jenkins 
Director
Audit Division

SUBJECT: House Bill 145

House Bill 145 provides that all oil producing and pipeline companies would compute their income on a separate accounting basis. This concept, while appearing to be simplistic and easy to accomplish, actually is very complex. This has been pointed out by the recent report prepared by Messrs. Zeifman and Ainsworth for the Department of Revenue and the Legislature.

There are several specific areas of concern which we have regarding the Bill. First, it splits the responsibility for audit of the returns to two different agencies. For a company in the production of oil and gas, the returns would be audited by this Division, while for pipeline companies it is assigned to the APUC. I would strongly urge that the audit function for pipeline companies be assigned to this Division with the provision that the APUC will generate the reporting requirements which would be used as the basis for the audit. Sections 3, 6 and 8 of the Bill would need to be amended to accomplish this.

Second, it appears that the intent of the Bill is that the Department of Revenue would by regulation define what would be deductible as an expense and how such items as intangible drilling costs would be treated for reporting purposes. To accomplish this would necessitate the employment of two Auditors and the Clerk Typist III at least one year ahead of the effective date of the law to do the research needed for these determinations.

Third, on line 17 of page 5 of the Bill is a reference to the "allocation" formula required under Sec. 65 of the chapter. To be technically correct and to remove all doubts of what is meant, I would recommend that the proper term "apportionment" be inserted in place of allocation. To allocate is to specifically identify the nature of each item of income and assign it to the proper jurisdiction, while to apportion is to assign income on the basis of a formula.

Fourth, Sec. 4 of the Bill refers to AS 43.20.330 which was repealed in 1972 by Chapter 169 of the Session Laws. The proper reference is AS 43.20.335 with the two subsections identified as (j) and (k).

Fifth, the portion of Sec. 3 of the Bill which pertains to public reporting has provisions in it which may be unconstitutional. A primary tenant of our system of self-assessed tax is that the information reported shall remain confidential. The provision which would require

a summary of each return filed to be made public should be stricken from the Bill. That portion is included in lines 2 - 9 of page 6.

Lastly, there appears to be a conflict between Sections 9 and 10 of the Bill. Section 9 implies that the Bill would be effective on 1-1-77 while Section 10 states that it is effective on 1-1-78. Does Section 10 mean that returns would be due after 1-1-78 on income earned in 1977? I would recommend that this be clarified.

GLJ:mh



DEPARTMENT POSITION

HB 145

DIVISION DIRECTOR

DATE

COMMISSIONER

DATE

Ak. Public Utilities Commission

February 24 1977

GOVERNOR'S OFFICE USE

POSITION NOTED

POSITION APPROVED

POSITION DISAPPROVED

BY:

DATE:

SUMMARY

(1) RELATED BILLS (SIMILAR OR CONFLICTING)

(2) a. ORGANIZATIONAL SUPPORT FOR BILL



(2) b. ORGANIZATIONAL OPPOSITION TO BILL

(3) PROGRAM EFFECTS OF BILL

(4) FISCAL IMPACT:

NONE

FISCAL ANALYSIS ATTACHED

(5) AMENDMENTS PROPOSED:

(6) COMMENTS:

See attached for Commission position on proposed legislation.

The certification procedure envisioned by the proposed legislation is a significant extension of the Commission's responsibilities because of both the scope of the task and its interrelationship with current regulatory activities.

The Commission will be required to review the accounts and certify the net taxable income of natural gas pipeline companies or, alternatively, to identify the deficiencies and, if possible, provide a reporting of the true and correct income. This procedure is akin to issuing an independent audit opinion and will require comparable standards of review and expertise. Additionally, the Commission is constrained to issue a certificate of compliance or deficiency within 45 days from receipt of a request of a pipeline carrier.

Section AS 42.05.502(c) anticipates some coincidence between the definition of net income for tax purposes and that used by the Commission in establishing rates and measuring rate of return. There are a number of differences between accounting for rate-making purposes and tax purposes. The information on net income currently filed and reviewed by the Commission is tailored to regulatory requirements and only tangentially relevant to the certification process. Thus, existing analysis of pipeline financial data, while complimentary, is not directly applicable to this task.

Given the Commission's workload, satisfactory performance of the certification responsibility will necessitate hiring a staff person with specialized knowledge of tax accounting. The alternative of developing in-house expertise and diverting limited staff resources to certification would dilute effective performance of existing regulatory responsibilities.

Title: An Act Relating to the Alaska Net Income Tax
 Requested by: _____ Date: _____
 Return Date Requested: _____
 Agency: Commerce Program: Public Protection

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
00 PERSONAL SERVICES		0	15.3	30.6		
00 TRAVEL		0				
00 CONTRACTUAL		0	2.1	2.1		
00 COMMODITIES		0	.2	.2		
00 EQUIPMENT		0	.8			
00 LAND & STRUCTURES						
00 GRANTS, CLAIMS, ETC.						
TOTAL			18.4	32.9		

B. FUNDING: (Thousands of dollars)

GENERAL FUND			18.4	32.9		
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	1/	1/	/	/
MAN MONTHS (P./T.)	/	/	6/	12/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Passage of this proposed legislation will require the Alaska Public Utilities Commission to employ at least one additional Financial Analyst III who would be responsible for examining the tax returns for intrastate pipelines.

IV. ATTACHMENTS

Detailed expense estimate

V. DATE: _____ PREPARED BY: _____

Original: Legislative Finance
 Budget and Management
 Prime Sponsor (First Legislator Named)

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